

March 22, 2016

VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: WC Docket No. 16-70

Dear Ms. Dortch:

XO Holdings and Verizon Communications Inc. (“Verizon”) (collectively, “Applicants”) supplement their application for Commission consent to the transfer control of XO Communications, LLC (“XO Communications”) and its operating subsidiaries from XO Holdings to Verizon.¹ This submission provides additional information in response to questions from Wireline Competition Bureau staff.

The proposed transaction will benefit the public interest without any material adverse harm to customers or competition. As the Application states, “Even in the small number of markets in Verizon’s ILEC territories where XO Communications has fiber facilities, there is sufficient supply of high-capacity facilities from other major providers and thus no material competitive harm from the transaction.”² These markets refer to the 15 metropolitan statistical areas (“MSAs”) located within Verizon’s remaining ILEC footprint where XO Communications has on-net buildings.³ Following the close of the Verizon-Frontier transaction (expected at the end of the first quarter 2016), Verizon’s remaining ILEC footprint is confined to areas within Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Delaware, Maryland, the District of Columbia, and Virginia.⁴

¹ XO Holdings and Verizon Communications Inc., Consolidated Applications for Consent to Transfer Control of Domestic and International Authorizations Pursuant to Section 214 of the Communications Act of 1934, As Amended, WC Docket No. 16-70 (filed Mar. 4, 2016) (“Application”).

² *Id.* at 13. References to Verizon’s services and network herein refer to those of its wholly-owned operating subsidiaries.

³ A list of the 15 MSAs located within Verizon’s remaining ILEC footprint in which XO Communications has on-net buildings is provided in Exhibit 1.

⁴ Verizon’s remaining ILEC footprint, as referenced in the Application and this supplement, does not include its ILEC territories in California, Florida, and Texas that are being transferred to Frontier Communications Corporation. *See* Application at 2 n.4. Verizon also serves a small number of customers on Knotts Island, North Carolina, via Verizon’s Virginia ILEC from a wire center in Virginia.

As part of the proposed transaction, Verizon will gain access to a total of 4,487 XO Communications on-net buildings.⁵ A review of these buildings shows that the proposed transaction will not result in any material competitive harm, both within Verizon's remaining ILEC footprint and outside of it. To date, Verizon has determined the following:

- Of the 4,487 XO Communications buildings, only 691, or approximately 15 percent, are located within Verizon's remaining ILEC footprint.
- The vast majority of these 691 buildings are served by other providers in addition to XO (even assuming that Verizon serves all of these). In particular, based on information available to Applicants, 537 of these buildings – nearly 78 percent – are on-net buildings for at least one other CLEC or cable company.⁶ And this analysis does not account for several other telecom and cable providers who also likely serve some of these buildings, whose information was not readily available.
- Of the remaining 154 XO Communications on-net buildings within Verizon's remaining ILEC footprint, 136 – more than 88 percent – are within 0.1 miles of the fiber of a leading CLEC or within 0.1 miles of a cable company lit building. Applicants will continue to examine these buildings.
- That leaves just **18** remaining buildings within Verizon's ILEC footprint. Applicants will continue to examine these buildings.

Nearly 85 percent of XO Communications' on-net buildings, or 3,796 buildings, are located outside Verizon's remaining ILEC footprint. Again, to date Verizon has determined the following:

- Verizon does not have plant in 87 percent of these buildings, or 3,303 buildings.
- Of the 493 building that Verizon has plant in, 440 – 89 percent – are lit by another CLEC or a cable company in addition to XO Communications, based on available information.
- In addition, 41 of the remaining 53 buildings are within 0.1 miles of another CLEC's fiber. Applicants will continue to examine these buildings.
- We will continue to examine the remaining **12** buildings, but note that the ILEC in these areas likely lights all of these buildings.

⁵ "On-net buildings" are defined as buildings that an applicant has connectivity to, through whatever medium (i.e., fiber, copper, fixed wireless transmission), and has the ability to install electronics on either side.

⁶ For example, Zayo, Cogent, Lighttower, Lumos, and FirstLight provide on-net building lists on their websites.

All told, grant of the proposed transaction will add the XO Communications on-net buildings to Verizon's current holdings of more than 125,000 fiber-connected, non-residential buildings (i.e., enterprise, small and medium business, government, and wholesale).⁷

Further, we provide additional explanation of some of the terms used in the Application. First, the Application observes that "in XO Communications' top 20 fiber areas, the transaction will expand Verizon's owned fiber sheath miles by more than 5,000 miles, of which nearly 85 percent are in areas located outside of Verizon's remaining ILEC footprint."⁸ As used here, the "top 20 fiber areas" are based on legacy XO Communications' "Operating Areas." XO Communications gathers network and operational statistics by "Operating Areas" that may not necessarily relate to standard geographical areas (e.g., MSAs, counties).⁹

Second, the Application observes that "[t]he majority of XO Communications' fiber in each of its top 20 fiber areas is unlit, or 'dark,' with those areas having 79 percent unlit fiber on average, including up to 96 percent unlit in Dallas."¹⁰ XO Communications' unlit fiber is fiber into buildings where XO Communications has or had customers, as well as the fiber miles in fiber rings in the market it serves. As a general matter, a provider with unlit fiber is a potential competitor that could enter the market.

And third, the Application states that "in the twenty densest counties XO Communications serves that are located outside of Verizon's ILEC footprint, the transaction will expand Verizon's on-net building inventory by over 2,500 buildings."¹¹ These "twenty densest counties" are those counties located outside of Verizon's remaining ILEC footprint in which XO Communications has the most on-net buildings.¹²

The Application also finds that no material competitive harm will result from the transaction, as "there is sufficient supply of high-capacity facilities from other major providers" even in markets within Verizon's remaining ILEC footprint.¹³ These other providers include Level 3, Zayo, and Cogent, as well as cable companies such as Comcast and Cablevision (Lightpath), all of which provide competing services in these markets. As an example, in the business/enterprise Ethernet market, independent analysts estimate that Verizon's national

⁷ This number is derived from various databases within Verizon, including data provided to wholesale customers on buildings "lit" with fiber connections where the Verizon ILEC offers service, and data from Verizon non-ILEC entities identifying buildings with fiber connections including buildings without electronics.

⁸ Application at 7.

⁹ A list of XO Communications' top 20 fiber areas is provided in Exhibit 2.

¹⁰ Application at 10.

¹¹ *Id.* at 7.

¹² A list of XO Communications' 20 densest counties outside Verizon's remaining ILEC footprint is provided in Exhibit 3.

¹³ *Id.* at 13.

market share declined from 22.5 percent to 19.6 percent from 2013 to 2014, while XO Communications' 2014 market share was identified as between 0.5 and 2 percent.¹⁴ In the wholesale Ethernet market, independent analysts estimate that Verizon has an approximate 28.3 percent share of the market, while XO has an approximate 3.9 percent share.¹⁵ Although the Applicants do not have comprehensive market share data, the analysis provided in the Application and the building data above demonstrates that the proposed transaction will not result in material competitive harm.

Current XO Communications customers will not be harmed as a result of the transaction. Verizon will continue to provide service and comply with XO Communications' contractual and regulatory obligations, so the transaction will be seamless to those customers. In addition, XO Communications' customers – business, government, and wholesale – will gain access to the full range of Verizon's offerings, which is more extensive than that of XO Communications. With regard to XO Communications' customer care workforce and sales representatives, the transaction's synergies will generally include workforce adjustments but Verizon cannot predict any specific outcomes prior to close.

Finally, XO Holdings' subsidiary NextLink Wireless, LLC – which does not provide consumer services – is not being transferred with XO Communications and will continue as an independent provider of wireless-based services to commercial and wholesale customers.

Please contact the undersigned should you have further questions.

Respectfully submitted,

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¹⁴ Frost & Sullivan, *Business Carrier Ethernet Services Market Update, 2015*, at 32 (Sept. 2015) (estimating total market share based upon 2013 and 2014 revenues). Verizon's share of the business/enterprise Ethernet market declined from 22.5 percent in 2013. *Id.* at 33. *See also* IDC Market Analysis at 10 (estimating Verizon's and XO's shares of the Ethernet market as 19 percent and 3 percent, respectively, in 2014).

¹⁵ Frost & Sullivan, *Wholesale Carrier Ethernet Services Market Update, 2015*, at 26 (Aug. 2015) (estimating total market share based upon 2014 revenues).

cc: Daniel Kahn
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EXHIBIT 1

**MSAs LOCATED WITHIN VERIZON'S REMAINING ILEC FOOTPRINT
IN WHICH XO COMMUNICATIONS HAS ON-NET BUILDINGS**

	MSA
1	Allentown-Bethlehem-Easton, PA-NJ
2	Baltimore-Columbia-Towson, MD
3	Boston-Cambridge-Newton, MA-NH
4	Buffalo-Cheektowaga-Niagara Falls, NY
5	Harrisburg-Carlisle, PA
6	Lancaster, PA
7	New York-Newark-Jersey City, NY-NJ-PA
8	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD
9	Pittsburgh, PA
10	Reading, PA
11	Rochester, NY
12	Scranton-Wilkes-Barre-Hazleton, PA
13	Virginia Beach-Norfolk-Newport News, VA-NC
14	Washington-Arlington-Alexandria, DC-VA-MD-WV
15	Worcester, MA-CT

EXHIBIT 2

XO COMMUNICATIONS' TOP 20 FIBER AREAS

	XO Fiber Area
1	Miami, Florida
2	San Francisco, California
3	Salt Lake City, Utah
4	Los Angeles, California
5	Dallas, Texas
6	Nashville, Tennessee
7	Sacramento, California
8	Pennsylvania *
9	Chicago, Illinois
10	Detroit, Michigan
11	Columbus, Ohio
12	Memphis, Tennessee
13	Atlanta, Georgia
14	San Diego, California
15	Seattle, Washington
16	Boston, Massachusetts *
17	Denver, Colorado
18	Washington, D.C. *
19	St, Louis, Missouri
20	Austin, Texas

* XO Communications fiber areas located within Verizon's remaining ILEC footprint

EXHIBIT 3

**XO COMMUNICATIONS' 20 DENSEST COUNTIES OUTSIDE VERIZON'S
REMAINING ILEC FOOTPRINT**

	County	State
1	Shelby	Tennessee
2	Clark	Nevada
3	Davidson	Tennessee
4	Salt Lake	Utah
5	Spokane	Washington
6	Franklin	Ohio
7	Cook	Illinois
8	Dallas	Texas
9	Santa Clara	California
10	Los Angeles	California
11	Utah	Utah
12	San Diego	California
13	Orange	California
14	Maricopa	Arizona
15	Williamson	Tennessee
16	King	Washington
17	Cuyahoga	Ohio
18	Oakland	Michigan
19	Harris	Texas
20	Denver	Colorado